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The State of South Carolina
General Assembly
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Report Summary of
A Review of the
Education Finance Act of 1977
June 1, 1983

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

REPORT SUMMARY OF

A REVIEW OF THE

EDUCATION FINANCE ACT OF 1977

REPORT SUMMARY

In 1977, the General Assembly passed Act 163, the Education Finance Act. The purpose of the Act is to provide equity of funding for a basic education in the State's public schools, equity of effort for taxpayers, and the availability of comparable educational programs for all primary and secondary school students. The Act directs the Legislative Audit Council to assess compliance with the provisions of the Act and to make recommendations to the General Assembly concerning necessary changes.

This report is a summary of the findings and recommendations presented in the complete audit report on the implementation of the Education Finance Act. The page numbers cited in this summary refer to those pages in the full report published under separate cover. The State Department of Education's comments are published in Appendix A of this summary. Appendix B is a glossary of terms used in discussing the Finance Act. A copy of the full report may be obtained from the Legislative Audit Council.

In December 1980, the Council published the first comprehensive report, "Study of the Implementation of the Education Finance Act of 1977," which presented a broad review of the Act after one year of implementation. This second comprehensive review analyzes the Finance Act's impact on the funds available for education after four years of implementation and the progress made in accomplishing the mandates of the Act.

Finance Act in Brief

The Education Finance Act changes the method of distributing State funding to local school districts to reduce the differences in funding created by variances in local wealth and to ensure that funds are provided on the basis of need. The Act provided for a five-year phase-in period, but due to a revenue shortfall, full implementation was delayed one year, until FY 83-84.

The amount of State and local funding required under the Finance Act is calculated on the base student cost and the weighted pupil units. The base student cost is the amount deemed necessary to fund a minimum educational program for an elementary (4-8) grade student. This amount is adjusted annually by an inflation factor to reflect the inflated cost of providing the State Board of Education's Defined Minimum Program. In FY 81-82, the base student cost was funded at \$941.75.

The Act's weighted pupil system provides for the relative cost differences between educational programs for different students. This system was established to distribute funds equitably on the basis of pupil needs:

<u>Pupil Classification</u>	<u>Weights (Ratios to the base student cost)</u>
Kindergarten	1.30
Primary	1.30
Elementary	1.00
High School	1.25
Vocational Education	1.29
Educable Mentally Handicapped	1.74
Learning Disabled	1.74
Trainable Mentally Handicapped	2.04
Emotionally Handicapped	2.04
Orthopedically Handicapped	2.04
Visually Handicapped	2.57
Hearing Handicapped	2.57
Speech Handicapped	1.90
Homebound	2.10

The amount of funding a school district receives from the State varies with each district's ability to raise local revenues for schools. By using an index of taxpaying ability, districts with a smaller amount of property wealth receive a larger percentage of State funding. This is to enable each district to provide a required minimum educational program for each student, with a more equitable tax burden for taxpayers.

CHAPTER I

ANALYSIS OF THE EFA FUNDING

Holdharmless Provision (p. 13)

The Council concludes that the holdharmless provision interferes with the functioning of the Finance Act. Six statistical measures, used to determine the effects of holdharmless funds on districts' revenues in FY 79-80 and FY 80-81, indicate that holdharmless funds have contributed to revenue disparity among the districts.

Holdharmless was designed to ease the transition to the EFA funding formula by ensuring that State funds to the districts would not fall below their pre-EFA level. Districts under this provision receive, as their EFA allotment, the prior year's State funding plus four-fifths of the inflation factor. For FY 82-83, funding for holdharmless is estimated to be \$6.6 million. Despite the effects of recent budget cuts, two districts are estimated to receive holdharmless funds for another 47 and 57 years, respectively, if the adjustment of four-fifths of the inflation factor continues. Until the holdharmless provision is repealed, the equity of funding intended by the Act will not be fully achieved. If

the holdharmless provision is not repealed completely, the Council proposes phasing out holdharmless by eliminating the inflation factor when calculating holdharmless districts' State allocations. This will minimize the effects on the districts of eliminating the provision.

The Council has also found that holdharmless districts have received funds to which they are not entitled because of administrative decisions by SDE and computational errors. These are discussed below.

(1) Holdharmless Computed on Wrong Figures

In FY 82-83, eight holdharmless districts received \$247,618 because holdharmless funds were not calculated, as required by Section 59-20-50(1), on the prior year's actual State funding. The funds, instead, were computed on the originally budgeted amount. For FY 81-82, districts' originally budgeted funds for education were reduced by 2.19% at the direction of the Budget and Control Board and many districts had to take all or part of the cut in the EFA allocation. As a result of the holdharmless calculations, the eight districts were allocated the funds cut from their FY 81-82 allotment in the next fiscal year, increased by four-fifths of the inflation factor. Furthermore, two of these districts, which should have received no holdharmless funds in FY 82-83, qualified for holdharmless aid.

(2) Computational Errors by SDE

SDE has made two computational errors in calculating holdharmless funds for FY 81-82 and FY 82-83. Due to a computer error, Orangeburg #6 was paid \$5,321 in holdharmless funds in FY 81-82 when it was not entitled to receive them. SDE staff stated that the district's FY 82-83 EFA allocation would be adjusted to recover the holdharmless funds it received as a result of the

error. Therefore, the district, in effect, will pay a penalty for SDE's error. Four other holdharmless districts received \$4,012 in additional funds in FY 82-83 when a portion of a .15% cut in funds was not removed from the amount on which holdharmless was calculated. Districts not covered by the holdharmless provision had the full .15% taken from their funding.

(3) District Option in Reducing Funds for Budget Cuts

When the 2.19% budget cut was required in FY 81-82, districts were given an option in determining which program funds would be reduced. The option of allowing districts on holdharmless to take cuts in program funds other than EFA lessens the funds that otherwise might be distributed through the EFA formula to all districts. The Council estimates that as much as \$1.7 million in additional holdharmless payments would have gone to the eight holdharmless districts in FY 82-83, if all these districts had been able to avoid taking the 2.19% cut in EFA funds. Furthermore, allowing holdharmless districts an option to avoid cuts in EFA funds ensures that future holdharmless payments to these districts remain large. In FY 81-82, four holdharmless districts did avoid cuts in their EFA funds.

Teacher Incentive Provision (p. 23)

The teacher incentive provision of the Finance Act provides districts with additional funding for "strengthening" their instructional staffs when over 25% of their personnel have a Master's Degree or higher. The provision has demonstrated mixed success during the years of the Act. Although the number of instructional staff with Master's Degrees

or better has increased, the rate of increase has slowed since the implementation of the Act. Furthermore, the method by which teacher incentive funds are allocated has an effect on the equity of the distribution of State funds to school districts.

(1) Allocation of Teacher Incentive Funds

Six statistical measures, used to determine the state-wide impact of teacher incentive funds on local and State revenues, show that teacher incentive funds increased the per-pupil revenue disparity among districts in FY 79-80 and FY 80-81. A similar effect was observed on revenues per weighted pupil.

An examination of the property wealth of individual districts receiving teacher incentive funds found that the districts best able to locally support education were receiving the most teacher incentive funds. For example, the ten districts receiving the highest total allocations were among the wealthiest 22 districts, according to the index of taxpaying ability, and received 50% of total teacher incentive funds in FY 80-81 and FY 81-82. Districts with over 35% of their instructional staff with higher degrees averaged \$554 for each higher degree, over two times the amount available (\$207) for districts having 25%-35% with higher degrees. As a result, districts with larger percentages of instructional staff with higher degrees can more easily afford to hire even more.

(2) Alternative Method of Allocating Teacher Incentive

The Council derived an alternative method for allocating teacher incentive funds to provide a more equitable distribution of these funds while requiring no additional funds. By the proposed method, each district would be provided State funds for each

instructional staff member with a Master's Degree or higher certification. The amount a district would receive for each such instructional staff member would be weighted by the State portion of the State-local percentage for the foundation program for the district, multiplied by \$825.

When the effects of the current and proposed methods on district revenues are examined, the proposed method indicates a more equitable distribution of funds. Overall, 57 districts would receive more teacher incentive funds and 35 districts would receive less by the proposed method.

Impact of the Finance Act (p. 30)

Although holdharmless and teacher incentive provisions interfere with the functioning of the Finance Act, overall, public education is funded more equitably for property-poor and high-need school districts under the Act than under the State's former educational funding program. Eight statistical measures applied to districts' total local and State revenues per pupil indicate that the Finance Act has also had a positive effect on the funds available for providing programs appropriate to student needs.

(1) District Revenue Disparity and Variation from the State Average

Lower-revenue districts are now better able to provide an education program that is substantially equal to other districts than they were before the EFA. Generally, districts' revenues have not shown as much deviation from the State per-pupil average as they did prior to the Finance Act. The percentage difference in per-pupil funds has continued to decline during the four-year

period of implementation, although the actual dollar differences per pupil have not shown much improvement. The per-pupil revenues of low-revenue districts have risen toward the State median revenue per pupil since the implementation of the Act. Looking at district revenues available per weighted pupil, a similar reduction in revenue disparities for funding educational services based on student needs has occurred.

(2) Relationship Between Revenues and District Property Wealth

The Finance Act has reduced the effects of local economic factors on the funds available for education. The relationship between districts' education revenues and property wealth has declined each year of the Act. The unequal tax effort required of property-poor districts has also been reduced. In FY 80-81, property-poor districts, taxing themselves at approximately the same rate as the wealthiest districts, generated 76% of the revenues of the wealthy districts. This is an improvement over the pre-EFA situation of three times the tax rate to obtain 68% of the revenues. Furthermore, the relationship of personal income and property wealth has remained moderately strong. Since these two factors are generally viewed as affecting the taxes which can be levied within a district, the parallel relationship indicates that property wealth is an adequate measure of a district's taxpaying ability or ability to support education. Therefore, the Act's funding formula adequately reflects both factors that can affect the amount of revenue available for education.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER REPEALING SECTION 59-20-50(1) AND REDISTRIBUTING THESE "HOLDHARMLESS" FUNDS TO THE DISTRICTS THROUGH THE EQUALIZATION FORMULA OF THE EFA.

IF THE HOLDHARMLESS PROVISION IS RETAINED, THEN THE GENERAL ASSEMBLY SHOULD CONSIDER THE FOLLOWING:

- A) THE TEMPORARY PROVISIO FROM THE FY 82-83 APPROPRIATION ACT, STATING THAT NO ADDITIONAL DISTRICTS SHALL RECEIVE HOLDHARMLESS FUNDS DUE TO DECREASES IN STUDENT NUMBERS OR UPWARD ADJUSTMENTS IN THE INDEX OF TAXPAYING ABILITY, SHOULD BE MADE A PERMANENT PROVISION OF THE EFA.
- B) HOLDHARMLESS SHOULD BEGIN TO BE PHASED OUT BY ELIMINATING THE FOUR-FIFTHS INFLATION FACTOR IN SECTION 59-20-50(1) SO THAT NO DISTRICT WILL RECEIVE LESS STATE FUNDS THAN IN THE PRIOR FISCAL YEAR.

IF THE HOLDHARMLESS PROVISION IS RETAINED, SDE SHOULD CALCULATE HOLDHARMLESS FUNDS ON THE AMOUNT ACTUALLY RECEIVED FROM THE STATE FOR THE FOUNDATION PROGRAM IN THE

PRIOR FISCAL YEAR, AS REQUIRED BY SECTION 59-20-50(1).

THE GENERAL ASSEMBLY SHOULD CONSIDER ONE OF THE FOLLOWING ALTERNATIVES IN AMENDING SECTION 59-20-40(2):

- (1) THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-40(2) TO ELIMINATE THE TEACHER INCENTIVE PROVISION FROM THE ACT AND USE THOSE FUNDS TO AID IN FULL FUNDING OF THE FOUNDATION PROGRAM.

-OR-

- (2) THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-40(2) TO REQUIRE THE ALLOCATION OF TEACHER INCENTIVE FUNDS TO THE DISTRICTS BASED ON A DOLLAR AMOUNT FOR EACH INSTRUCTIONAL STAFF MEMBER WITH A MASTER'S DEGREE OR HIGHER (CLASS I CERTIFICATE OR HIGHER CERTIFICATE), WEIGHTED BY THE STATE SHARE OF THE STATE-LOCAL PERCENTAGE FOR THE FOUNDATION PROGRAM.

CHAPTER II
DISTRICT-LEVEL FINANCIAL INFORMATION

Financial Reports to the Legislature (p. 47)

Financial information available to the Legislature on school district finances is unreliable. Furthermore, an assessment of compliance with the fiscal aspects of the Finance Act has not been included in SDE reports to the Legislature. Since education funds comprise 38% of the State's budget, the ability to ensure their proper expenditure is important to the State as a whole, as well as, to the effectiveness of the Act itself.

(1) Financial Reports Not Reliable

Problems with the validity of the information contained in the districts' annual reports are acknowledged by both State Department of Education personnel and district superintendents. Since the format of the district annual report is standardized, it provides the only source of comparable financial information available annually to SDE and, consequently, the Legislature. Therefore, the accuracy of the revenue and expenditure information is of great importance. Yet, a number of factors contribute to the unreliability of this financial information. Accurate information is needed by both the Legislature and SDE to make sound decisions and policies regarding funding of the EFA and to annually monitor compliance with the Act. In order for the Legislature to have access to valid financial reports on school districts, several changes must be made (see p. 14 of this report).

(2) Legislative Reports Do Not Assess Financial Compliance

The State Board and SDE have not complied with the provisions in the Finance Act which require annual reports on financial compliance to the Act. Officials at SDE have stated that the State Superintendent's report to the Legislature meets the reporting requirements. This report, however, does not discuss or evaluate compliance with the Finance Act. SDE submitted its first separate report on the EFA, covering FY 81-82, in January 1983 at the request of the Joint Education Finance Review Committee. Only information on potential compliance or noncompliance was provided. SDE performs compliance audits of districts which review such areas as the accuracy of the weighted pupil units, compliance to required local effort and the 85% requirement. The information obtained from these reviews is not included in the State Superintendent's annual report or in the report submitted to the Review Committee. Without information on financial compliance to the Finance Act and the effects of EFA on state-wide education funding, the Legislature and State Board will not have an adequate basis on which to make decisions and policies regarding the EFA.

District Fiscal Accounting Practices (p. 52)

In its first study of the Finance Act, the Council reported that FY 78-79 district financial information contained inaccuracies. A review of audits conducted on 63 districts' EFA information for FY 79-80 and FY 80-81, indicates problems in maintaining accurate records persist. Sixty-one (97%) of the districts have incorrectly recorded instructional expenditures and 23 districts (37%) commingled State and Federal funds.

As a result, program costs in the EFA continue to be incorrectly charged. For 16 districts in FY 79-80 or FY 80-81, this resulted in noncompliance with the EFA requirement that districts expend 85% of the dollars generated by their EFA pupil memberships in the categories in which the revenues were generated. These districts had to repay a total of \$30,967 to the State.

Districts also continue to have problems in recording accurate average daily membership of pupils. Inaccurate pupil accounting resulted in excessive funding in FY 79-80 or FY 80-81 for 42 districts. These districts had to repay a total of \$71,300 to the State.

District Compliance with Local Effort (p. 55)

The Council's analysis of the local share of funding showed that the districts have satisfied local effort requirements for FY 79-80 and FY 80-81, and will also meet required local effort in FY 82-83. Therefore, the one-year extension of the phase-in period for the Finance Act should present no problems for the districts in meeting requirements for full implementation of the foundation program in FY 83-84.

(1) Current Local Effort Conditions

For FY 79-80 and FY 80-81, 93% and 100% respectively, of the State's districts exceeded their required local support with local revenues. The six districts which did not exceed required local support with local revenues in FY 79-80 used other methods to comply with the Finance Act.

(2) Meeting Full Implementation of the Act

The Council projects all districts in the State will have met the required local effort for full implementation of the foundation

program in FY 82-83 if past funding trends continue. Seventy districts (76%) met their projected local effort requirements for FY 82-83 with FY 80-81 local revenues, while the remaining 22 districts (24%) were phasing in required local effort. It appears that districts are making every effort to meet required local support within the original phase-in period.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD SPECIFY A FORMAT FOR CPA REPORTS, CONSIDERING ALL POTENTIAL USERS OF THE REPORTS, AND REQUIRE THE CPA AUDIT REPORTS BY NOVEMBER FIRST EACH YEAR.

THE STATE BOARD OF EDUCATION SHOULD REQUIRE CERTIFICATION OF DISTRICT ANNUAL REPORTS BY THE CPA.

THE GENERAL ASSEMBLY SHOULD CONSIDER CHANGING THE SUBMISSION DATE FOR THE STATE SUPERINTENDENT OF EDUCATION'S ANNUAL REPORT, REQUIRED BY THE APPROPRIATION ACT, TO ALLOW FOR THE USE OF VERIFIED INFORMATION.

THE STATE DEPARTMENT OF EDUCATION SHOULD RELEASE THE ANNUAL FISCAL AND PROGRAMMATIC

REPORT, REQUIRED BY SECTION 59-20-60(5)(e) OF THE EDUCATION FINANCE ACT, AT SUCH A DATE AS TO ALLOW FOR THE USE OF VERIFIED INFORMATION.

THE STATE BOARD OF EDUCATION SHOULD INCLUDE SUMMARIES OF THE AUDITS OF INDIVIDUAL DISTRICT'S COMPLIANCE TO THE FINANCIAL REQUIREMENTS OF THE FINANCE ACT IN THE ANNUAL REPORT OF THE STATE SUPERINTENDENT, TO COMPLY WITH SECTION 59-20-60(2).

THE STATE DEPARTMENT OF EDUCATION SHOULD INCLUDE AN ASSESSMENT OF COMPLIANCE WITH THE PROVISIONS OF THE FINANCE ACT IN ITS REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY, AS REQUIRED BY SECTION 59-20-60(5)(e).

THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-20-60(5)(e) TO REQUIRE SDE TO INCLUDE IN ITS ANNUAL FISCAL AND PROGRAMMATIC REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY, AN ANALYSIS OF THE EFFECTS OF THE EFA ON STATE-WIDE EDUCATION FUNDING BY EXAMINING TOTAL LOCAL AND STATE REVENUES PER PUPIL FOR ALL DISTRICTS.

THE ANALYSIS SHOULD EXCLUDE THOSE AREAS
NOT COVERED BY THE ACT.

DISTRICT BOARDS AND ADMINISTRATORS SHOULD
HAVE AS A PRIORITY ACCURATE FINANCIAL
RECORDS.

SDE SHOULD CONTINUE TO EXPAND TECHNICAL
ASSISTANCE TO THE SCHOOLS AND DISTRICTS.
THE DEPARTMENT SHOULD EMPHASIZE ASSISTANCE
IN THOSE AREAS WHERE THE LOCAL DISTRICTS
HAVE DEMONSTRATED PROBLEMS WITH THEIR
FINANCIAL ACCOUNTING PRACTICES.

CHAPTER III

REVIEW OF THE WEIGHTING SYSTEM

Base Student Cost (p. 62)

The amount of State and local funding required under the Finance Act is calculated on the base student cost. It is to include enough funding to support the Defined Minimum Program and to meet, as funds are available, locally identified needs (Section 59-20-20). A study of the cost of the Defined Minimum Program shows that the funds necessary for providing the DMP are included in the base student cost for districts with salaries at the State-mandated minimum salary schedule.

The examination of the revised DMP included those elements required, or implied as required, by the standards and as indicated by district practice. Expenditure information from FY 80-81, the latest year such information was available from the districts, was used. The base student cost was set by the Legislature in FY 80-81 at \$913. For the 26 districts paying according to the State's required minimum salary schedule, the cost of providing the DMP was \$905. For districts paying the State's average salaries, the cost was \$958 (see Table 1).

A study prepared for SDE by the College of Business Administration, University of South Carolina, also looked at the cost of providing the DMP. The study adjusted FY 80-81 data to approximate FY 81-82 costs and found that the cost of the DMP in FY 81-82, with fringe benefits included, was \$1,187. For FY 81-82, the base student cost, plus the per-pupil amount appropriated for fringe benefits, was \$1,154. Fringe benefits is a cost element specifically excluded from the Finance Act, but for comparison purposes, the Council's costs were adjusted to approximate FY 81-82 costs in the same manner as in the SDE study. The Council found that the DMP/fringe benefits cost was \$1,116.

The Council's study indicates that the funding provided under the Education Finance Act allows the State's school districts to provide the program required by the Defined Minimum Program. Yet, the cost of the DMP and the base student funding have become so closely tied that changes in any educational requirements may impact on the districts' ability to provide the DMP. Should the Legislature consider changing requirements in any education program, a study of the fiscal impact will be needed.

TABLE 1
STUDY OF THE
COST OF THE DEFINED MINIMUM PROGRAM FOR FY 80-81

<u>Cost Elements</u>	<u>Per-Pupil Cost</u>	
	<u>Minimum Salaries</u>	<u>State-wide Average Salaries</u>
<u>School Level Costs</u>		
Teachers	\$515.50	\$550.69
Principals		
Assistant Principals		
Secretaries		
Librarians		
Guidance Counselors		
Library Aides		
Music, Art & P.E. Teachers		
Reading Teachers	147.02	160.36
Substitute Teachers	12.91	13.57
Instructional Supplies ¹	13.01	13.01
Library Volumes and Audio-visual Materials ¹	11.52	11.52
Support Cost	2.49	2.49
Remedial Aid ²	<u>2.42</u>	<u>2.42</u>
Subtotal School Level Costs	<u>\$704.87</u>	<u>\$754.06</u>
<u>District Level Costs</u>		
1 Superintendent		
1 Secretary to Superintendent		
1 Business Manager		
1 Administrator		
1 Secretary	\$ 12.62	\$ 13.81
1 Assistant Superintendent		
1 Psychologist		
11 Administrators/Supervisors		
2 Secretaries	42.21	45.37
Support Cost	4.00	4.00
In-Service Training ³	2.31	2.31
Statistics & Data Processing	1.72	1.72
Maintenance & Operations	133.16	133.16
Board of Trustees	<u>3.86</u>	<u>3.86</u>
Subtotal District Level Costs	<u>\$199.88</u>	<u>\$204.23</u>
TOTAL	<u>\$904.75</u>	<u>\$958.29</u>
Base Student Cost		<u>\$913</u>

¹The DMP minimum is \$12 per pupil for instructional supplies and library and audio-visual materials together.

²The minimum for remedial aid is \$1.10 per pupil.

³The minimum for in-service training is \$10 per professional staff, 17¢ per pupil.

Student Count Method (p. 66)

The Finance Act allows a student to be counted in only one of the 14 weighted program classifications. Counting students only once, and using the 135-day average daily membership (ADM) as the student count method, does not provide an accurate indication of the services actually received by a district's pupils. As many as 23% (140,000) of the State's pupils receive service in areas other than the one in which they are counted. Furthermore, determining the cost of programs based on the ADM count can be misleading. For example, one district reported spending \$25,400 on a visually handicapped ADM of 1.81. The ADM cost per student was \$14,000, but the program costs were actually \$1,950 per student. The Council's service survey revealed that the district was providing this service to 13 students. An ADM of only "two" students was reported because the other 11 were counted in other handicapped programs in which they were also receiving service.

Handicapped Program Weights (p. 69)

The Finance Act's weights for programs for the handicapped do not reflect the relative costs of providing service to handicapped students. Service to handicapped students is funded according to particular handicapping conditions; therefore, the weights do not take into consideration the severity of the handicap(s) and the varying amounts of time service is needed.

South Carolina's present weights provide no additional funds to districts whose students need secondary handicapped services or must be served more than the minimum time required for Finance Act funding. Furthermore, the weights require districts to make a choice of where to

count a student with several handicapping conditions in order to obtain maximum EFA funding. To address these and other concerns, the Council proposes a weighting system that would shift to funding by service delivery patterns rather than by handicapping condition. The proposal is based on the amount of service time and the method of service delivery (see Table 2). Resource Room I represents five to nine hours of weekly service, while Resource Room II funds 10 to 15 hours of service. High Service I represents a self-contained class for students who can only occasionally be mainstreamed and High Service II is for students who cannot be mainstreamed. Itinerant (Blind only) is for the 250 students who meet the criteria of Section 43-25-20 (Other visually impaired served by the itinerant model would be funded as Resource Room I students).

To fund service for the handicapped under this system would have increased the need for State funds for handicapped programs in FY 82-83 by \$1.6 million; the total increase would be \$2.2 million, (1.9%). If funds were also included for the vocational education programs in which handicapped students also receive service, an additional \$460,000 would be needed. Should the holdharmless provision be eliminated as recommended by the Council, an estimated \$4.5 million would be available to cover the cost of the new handicapped weighting system. If holdharmless should be phased out, approximately \$360,000 would be available for meeting the State's share of the increase.

Vocational Education Weight (p. 75)

The Finance Act assigns one weight for funding students receiving vocational training (Section 59-20-40), and no adjustment is provided

TABLE 2
RECOMMENDED PUPIL WEIGHTING SYSTEM

<u>Programs</u>	<u>Proposed Weights¹</u>	
	<u>Add-On</u>	<u>Full Weight</u>
<u>REGULAR</u>		
Kindergarten		.65
Primary		1.30
Elementary		1.00
High School		1.25
<u>SPECIAL EDUCATION</u>		
Speech Therapy	.3	
Resource Room I	.8	
Resource Room II	1.1	
High Service I		2.0
High Service II		4.0
Itinerant (for Blind only)	1.8	
<u>VOCATIONAL EDUCATION</u>		
<u>Group A:</u> Level I		1.30
Levels II and III		1.60
Health Occupations		
Occupational Home Economics		
Trade and Industry:		
Air Conditioning, Refrigeration and Heating		
Drafting		
Electricity		
Electronics		
Industrial Sewing		
Masonry		
Painting and Decorating		
Tailoring		
Tilesetting		
<u>Group B:</u> Level I		1.32
Levels II and III		1.63
Trade and Industry:		
Appliance Repair		
Auto Body		
Auto Mechanics		
Auto Services		
Barbering		
Building Construction		
Business Machine Maintenance		
Cabinet Making		
Cosmotology		
Small Engine Repair		
Radio and TV Repair		
Textiles		
<u>Group C:</u> Level I		1.34
Levels II and III		1.65
Trade and Industry:		
Commercial Art		
Graphic Communications		
Machine Shop		
Plumbing		
Sheet Metal		
Welding		
<u>Group D</u>		1.30
Agriculture, all Levels		
Business and Office, Level II		
Distributive Education, all Levels		

¹Students served by add-on programs would be counted in a basic grade-level program or in the appropriate vocational education program. Speech therapy is an "add-on" regardless of other service(s) in which a student is counted.

for the costs of different training areas. Yet, the minimum cost of providing various vocational education service areas varies considerably. The Council estimates that for FY 80-81, the minimum costs per service area varied from \$179 to \$961 per pupil.

With costs so varied, funding vocational education with one weight encourages districts to steer students into the less expensive service areas and discourages districts from beginning some of the more expensive courses. In order to "provide for the relative cost differences between programs for different students" (Section 59-20-40), the Council proposes separate weights for training areas within vocational education (see Table 2). The weights were calculated on daily teacher class loads and expenditures for materials for each of the six service areas and 27 trade and industrial courses. The proposed weights would increase the need for statewide funding for vocational education by \$386,000, a .3% increase in the FY 82-83 allocation of \$128.6 million. Elimination of the holdharmless provision would provide more than enough funds to implement the proposed weights.

Vocational Courses Questioned (p. 79)

The review of vocational education programs indicates that courses in the consumer and homemaking area should not receive the vocational weight. These classes do not provide training for a trade or profession and cost no more than an academic class, yet they qualify students for funding under the vocational education weight. The majority of courses in the consumer and homemaking area, such as Family Life Education, Human Sexuality, and Education for Parenthood, have as the primary goal "to help individuals and families improve their home environment

and family life." These courses do not have "job opportunities" as their purpose. A review of class sizes and cost of materials indicates that the minimum costs of these courses is no more than those of academic courses. In FY 81-82, 26,600 students were enrolled in consumer and homemaking courses, qualifying them for the higher vocational education weight. The Council estimates that these students could have earned an additional \$1 million for their districts, if they did not take other vocational courses that would qualify them for the vocational weight.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER A FISCAL IMPACT STUDY WHEN ANY CHANGES IN EDUCATION LEGISLATION ARE CONSIDERED.

THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING THE WEIGHTING SYSTEM CONTAINED IN SECTION 59-20-40(c) TO REFLECT MORE ACCURATELY THE COSTS TO DISTRICTS, INCLUDING AN "ADD-ON" METHOD OF COUNTING STUDENTS, HANDICAPPED WEIGHTS BASED ON THE AMOUNT OF SERVICE(S) PROVIDED, AND VOCATIONAL EDUCATION WEIGHTS BASED ON THE COSTS FOR THE DIFFERENT VOCATIONAL PROGRAMS.

THE STATE BOARD OF EDUCATION SHOULD NO LONGER ALLOW CONSUMER AND HOMEMAKING

COURSES TO QUALIFY STUDENTS FOR THE 1.29
WEIGHT CONTAINED IN THE FINANCE ACT FOR
THE VOCATIONAL PROGRAM.

CHAPTER IV
STATE OVERSIGHT OF EDUCATION

Basic Educational Data System (p. 88)

The Basic Educational Data System (BEDS) needs to be improved in order to provide adequate information for use in monitoring compliance with the Defined Minimum Program (DMP) requirements. The "Assurances," a BEDS checklist, is an inadequate method of monitoring the "non-quantifiable" aspects of the DMP. This checklist is a certification by each school principal that certain requirements of the DMP are being met. Such requirements as "principal spends 50% of his time improving instruction," and "there is a well-organized staff development plan" are to be checked "yes or no."

BEDS data on the quantifiable aspects of the DMP has been found to have missing and inconsistent information. SDE staff state this BEDS data should be more reliable when a new computer, installed at SDE in November 1981, becomes fully operational. SDE is in the process of developing new computer programs which are expected to improve the efficiency and effectiveness of data handling. The Basic Educational Data System can provide needed information on compliance with the quantitative requirements of the DMP. Before this is possible, continuing efforts must be made to increase the adequacy of the data.

On-site Visits (p. 90)

The Accreditation system used by the State Department of Education includes on-site visits made to local districts and schools. These on-site visits are limited in scope and provide the SDE with little opportunity to perform a comprehensive assessment. SDE is currently conducting coordinated compliance reviews of schools and districts as a pilot program. During these reviews, schools and districts are checked for compliance to the DMP and other State and Federal laws and regulations. However, neither these reviews nor the on-site visits assess program quality.

Accreditation Classification (p. 93)

A review of the accreditation classification system shows it is a poor indicator of the quality of education and of the extent to which school districts and individual schools comply with State standards prescribed in the Defined Minimum Program. The classification system provides little indication of the progress a school or district is making in improving its programs and achieving its educational goals. Furthermore, the system lacks ratings to designate the extent to which districts provide more than the minimum requirements of the DMP. Until a new accreditation classification system is established to address these problems, the degree of compliance to State laws cannot be clearly established. Furthermore, school and district programs cannot be evaluated in light of local policies and situations, and long-range planning and programmatic review will be hindered.

Defined Minimum Program (p. 96)

The Defined Minimum Program (DMP), which sets the minimum educational standards for public schools in the State, does not encourage schools and districts to inquire into the status of the academic performance of their students, or to objectively evaluate the programs offered. The DMP standards focus largely upon requiring that certain types and amounts of resources be available, but infrequently address the use of those resources in upgrading the educational process and improving learning. The standards include few measures of the success of educational programs and of individual skills learned. The emphasis on resources can result in standards which are so specific on "quantities" that districts are hindered in focusing on students' needs. At the same time, the standards can be so vague on performance criteria that their importance is diminished. The DMP sets the overall tone of the State's education system. Therefore, the establishment of minimum standards, which stress both the effective use of resources and improvement in student performance, should lead to an emphasis on quality education.

Advisory Councils and School Reports (p. 100)

In 1980 the Council found that the performance of the school advisory councils could be improved with training and the development of expanded guidelines. However, guidelines have not been developed by SDE on the date by which advisory councils should be constituted or on uniform record-keeping practices. Establishing a date by which the councils should begin work will assure that councils have adequate time to provide input on school reports. Furthermore, uniform record-keeping guidelines would facilitate the continuity of report development from

year to year as council membership changes. With expanded guidelines and additional training, the performance of school advisory councils should be improved.

State Board of Education Staffing (p. 102)

During the Council's 1980 review of the EFA, interviews with each member of the State Board of Education indicated that the Board needed a limited research and staff capability to fully implement the powers entrusted to it by law. The Council recommended that the State Board strongly consider the advantages of having independent staff capability. However, the State Board of Education has taken no action to employ independent staff to work for the Board. The dependence of the Board on SDE personnel for information can serve to obscure the distinction between the roles of the State Department of Education and the State Board of Education. Two independent research staff with fiscal and programmatic expertise should enhance the Board's capability to effectively exercise its powers to adopt policies, rules and minimum standards necessary to provide adequate educational opportunities.

Overall Issue: Programmatic Review (p. 82)

Each component of the accreditation system has been examined to determine if the system provides an adequate assessment of educational quality in South Carolina. The Council once more finds that accreditation of schools does not provide this assessment. Continuation of the current assessment practices means that little comprehensive evaluation of the educational programs of the State's school districts will be provided for the districts, the Legislature or other interested parties.

Without comprehensive and on-going evaluations, the Legislature will find it more difficult to determine whether the following purpose of the EFA has been met: "To guarantee...at least minimum educational programs and services...substantially equal to those available to other students..." (Section 59-20-30). In order for the oversight mechanism to function effectively and to initiate a comprehensive assessment system, the State Department needs to improve and reorganize its current monitoring capabilities.

An Ad Hoc Committee to Study Accreditation was appointed by the State Board to review all aspects of accreditation. The Committee reported its recommendations to the Board after the Council completed its review.

RECOMMENDATIONS

THE "ASSURANCES" SHOULD BE DISCONTINUED
AS A PART OF THE BEDS MONITORING SYSTEM.
A REVIEW OF SUCH REQUIREMENTS SHOULD BE
MADE DURING COMPREHENSIVE VISITS.

SDE SHOULD EXPAND THE REVIEWS OF DISTRICTS
TO ALLOW FOR AN IN-DEPTH ASSESSMENT OF
PROGRAM QUALITY, ALONG WITH AN INTEGRATED
EXAMINATION OF COMPLIANCE TO STANDARDS.
THIS TYPE OF PROGRAMMATIC ASSESSMENT,
CONDUCTED ON A THREE TO FIVE YEAR CYCLE,
COULD PROVIDE A COMPREHENSIVE EVALUATION
OF DISTRICT PERFORMANCE AND PLANS,

RESULTING IN A GUIDE FOR NEEDED TRAINING
AND PROGRAM IMPROVEMENT.

THE STATE BOARD OF EDUCATION SHOULD PURSUE
A COMPLETE REVISION OF THE ACCREDITATION
RATING SYSTEM, EMPHASIZING THE PURPOSE OF
THE ACCREDITATION PROCESS, AND DEFINING
THE RATINGS SO AS TO CLARIFY THE MEANING
OF THE LEVELS OF ACCOMPLISHMENT, PROGRESS
AND COMPLIANCE.

THE DEPARTMENT OF EDUCATION SHOULD DEVELOP
WRITTEN POLICIES ON THE ACCREDITATION
PROCESS TO BE FOLLOWED IN DETERMINING
PRELIMINARY RATINGS AND ASSIGNING FINAL
RATINGS. GUIDELINES FOR SDE STAFF AND
SCHOOL AND DISTRICT PERSONNEL SHOULD BE
PUBLISHED WHICH FURTHER EXPLAIN THE
ACCREDITATION PROCESS, PURPOSE, AND STANDARDS.

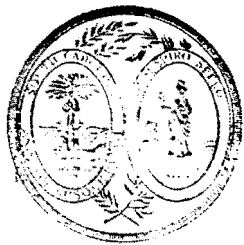
THE STATE BOARD OF EDUCATION SHOULD DEVELOP
AND/OR IMPROVE THE MINIMUM STANDARDS TO
PROVIDE THOSE WHICH ARE MORE CONSISTENT
WITH LEGISLATIVE, STATE BOARD AND LOCAL
EDUCATION GOALS. THE STATE BOARD SHOULD
CONSIDER THE FOLLOWING CRITERIA IN REVISING
THE DEFINED MINIMUM PROGRAM:

- (1) REQUIREMENTS SHOULD FOCUS UPON STUDENT PERFORMANCE, AS WELL AS DEFINING THE RESOURCES WHICH SHOULD BE AVAILABLE. GUIDELINES FOR SETTING PERFORMANCE STANDARDS SHOULD ADDRESS THE USE OF RESOURCES IN MEETING INDIVIDUAL STUDENT NEEDS.
- (2) STANDARDS SHOULD INCORPORATE THE INTENT AND DIRECTIVES OF THE BASIC SKILLS ASSESSMENT ACT AND REQUIRE THE ESTABLISHMENT OF A STRUCTURE IN EACH SCHOOL SYSTEM FOR CONTINUALLY MONITORING STUDENT PERFORMANCE, REPORTING RESULTS, AND TAKING APPROPRIATE REMEDIAL ACTION.
- (3) STANDARDS SHOULD BE EXPRESSED IN TERMS WHICH ARE CLEAR AND MEASURABLE.
- (4) PROCEDURES FOR DEMONSTRATING COMPLIANCE WITH STANDARDS SHOULD BE SIMPLE AND REQUIRE A MINIMUM OF PAPERWORK.

SDE GUIDELINES FOR ADVISORY COUNCILS SHOULD INCLUDE UNIFORM RECORD-KEEPING PRACTICES AND THE DATE BY WHICH ADVISORY COUNCILS SHOULD BE CONSTITUTED.

THE COUNCIL RECOMMENDS THAT THE STATE BOARD OF EDUCATION STRONGLY CONSIDER THE ADVANTAGES OF HAVING AN INDEPENDENT STAFF CAPABILITY, IN ORDER TO MORE EFFECTIVELY EXERCISE THOSE POWERS PROVIDED BY SECTION 59-5-60. THE COST OF SUCH STAFF SHOULD BE TAKEN FROM EXISTING EDUCATION FUNDS WITHIN THE STATE DEPARTMENT OF EDUCATION. A MINIMUM OF TWO STAFF MEMBERS WITH FISCAL AND PROGRAMMATIC CAPABILITIES SHOULD BE ASSIGNED TO THE BOARD.

APPENDICES



STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION

COLUMBIA 29201

Charlie G. Williams
State Superintendent of Education

April 27, 1983

TO: Mr. George Schroeder, Director
Legislative Audit Council

FROM: Charlie G. Williams, State Superintendent of Education

SUBJECT: State Department of Education's Response to Legislative Audit
Council Report on the Education Finance Act

We commend the staff of the Legislative Audit Council on their ultimate conclusion that the Education Finance Act is working and is providing an equity in education that did not exist prior to the Act.

While it is obvious that the Finance Act is working well and carrying out the original intent of the General Assembly, it is also obvious that we should continue to refine and fine tune its operation. Improvements and refinements have taken place as a result of study during the initial years and other improvements are targeted as a result of studies either recently completed or nearing completion.

In our comments to the Audit Council's report, we have responded to recommendations based on the perception of the Council as to ways that the Education Finance Act could be improved. In some instances we have agreed with these perceptions but in others we have disagreed.

The following is our response to the Audit Council's recommendations and is based on the draft copy of the report made available to us for review in the Council's Conference Room on Monday, March 7, 1983 and minor changes revealed to us on April 5, 1983. Any subsequent changes that may be made in the report as a result of our discussions with staff or that may be made as a result of our reply could not be addressed in this response and thereby should not be construed as concurrence.

CHAPTER I

Analysis of the EFA Funding

A. Hold Harmless Provision

The Legislative Audit Council recommends that the Hold Harmless provision in the Education Finance Act be repealed. If the Hold Harmless provision is not repealed, the Council proposes phasing out Hold Harmless by eliminating the inflation factor when calculating Hold Harmless districts' state allocations. Additionally, the Council reported the State Department of Education overpaid Hold Harmless districts in FY 1983.

The State Department of Education believes the finding presented by the Audit Council that the Department overpaid hold harmless districts is incorrect and based upon a misinterpretation of the effect of the 2.19 percent budget reduction. There was no overpayment and this fact is supported by the following:

1. The Council's report states that the Department should not have included the 2.19 percent budget reduction mandated by the Budget and Control Board for FY 1982 in the base for calculating FY 1983 allocations to hold harmless districts. The Council maintains that including the 2.19 percent reduction in the base resulted in overpaying \$247,618 to hold harmless districts in FY 1983.

The State Department of Education in consultation with the State Auditor, Mr. Edgar A. Vaughan, Jr., determined that the 2.19 percent reduction would have to be restored for calculating the allocations for FY 1983. There were three premises for the decision: (a) The 2.19 percent reduction by the Budget and Control Board was a temporary cut but would have been a permanent cut for the hold harmless districts if the Audit Council's position had been applied and would have been contrary to Legislative position for treatment of these reductions for state agencies or school districts for FY 1982. (b) The Council's position is based on the language in the Finance Act that states hold harmless funding shall be determined from the actual funds received in the prior year. It is our thesis that the action with respect to the appropriation for FY 1982 was not a permanent cut and therefore supersedes general law. (c) If the funds had not been treated in this manner, the hold harmless districts would not have been able to utilize the flexibility granted to them by the Budget and Control Board in its letter dated January 4, 1982, which stipulated that the school districts would have the option of taking the reduction in any program or programs they selected.

2. The Audit Council reported that the Department made a computation error in projecting the funding for hold harmless districts in fiscal year 1983 amounting to \$4,012. The projected allocations for the hold harmless districts were over estimated by the amount of \$4,012. The allocations for FY 1983 will be adjusted to reflect the correct amount. This adjustment will prevent any overpayments.

3. The Audit Council stated that the Department overpaid Orangeburg #6 by \$5,321 in fiscal year 1982. This overpayment was the result of an error in the computer programs for calculating hold harmless funding. This error has been corrected and the funds are being recouped by the State Department of Education.

Under the current provisions of the Education Finance Act our projections of the future hold harmless payments

reveal that a few districts will continue to receive hold harmless funds for an extended period of time. The State Department of Education concurs that consideration should be given by the Legislature for accelerating the phase-out of the hold harmless clause.

B. Teacher Incentive Provision

The Legislative Audit Council recommends that the Teacher Incentive Proviso be eliminated, and these funds included in the base foundation program. If the Teacher Incentive Proviso is not eliminated, the Council proposes a new method for the distribution of funds.

The State Department of Education believes there is insufficient data to support a recommendation for a change in the Teacher Incentive Proviso. While there are problems with the Proviso, it must be recognized that it was placed in the Finance Act as a compromise to assist districts in the transition from the prior categorical state aid system to the mechanism of the Finance Act. Under the categorical aid system there was a greater incentive to employ higher certified teachers than under the Proviso and many districts hired the higher certified staff members with the realization that their state aid would be increased. Therefore, the Teacher Incentive Proviso was implemented by the General Assembly to help these districts absorb the cost of the higher certified staff. To judge the Proviso simply in terms of its effects on financial equity is not consistent with the purpose of the Proviso.

In terms of the effectiveness of the Teacher Incentive Proviso in districts hiring the higher certified staff there are a couple of outside factors which need consideration. The districts have been in a tight budget situation in the last few years which have caused the districts to keep expenditures to a minimum. Hiring individuals on the lower end of the salary schedule is one means of lowering expenditures. Additionally, the funding level for the Teacher Incentive Proviso has not increased in relationship with the increases in the minimum salary schedule. Both of these factors have been working against the purpose of the Proviso.

The Department agrees a change in the Teacher Incentive Proviso should be considered but only after a more definitive study on the immediate and long range desire of the State of South Carolina to provide better trained and qualified teachers has been conducted.

C. Impact of the Finance Act

The Legislative Audit Council's analysis show that the Education Finance Act is providing funding more equitably for minimum educational programs to property poor and high need school districts.

The conclusion that the Legislative intent of the Finance Act is being accomplished is shared by the

Department in that the Act is guaranteeing to each student in the public schools of South Carolina the availability of at least minimum educational programs and services appropriate to the students needs.

Chapter II

District - Level Financial Information

A. Financial Reports to the Legislature

The Council states that financial information provided the Legislature on school district finances is unreliable. Additionally, the Council contends that the Department is not providing the reports required under the Education Finance Act to the Legislature.

The State Department of Education takes exception to the statement of the Council that the financial information submitted by the school districts is unreliable. Comparisons of the data submitted in the Annual Financial Reports with the audited financial reports have not revealed the major discrepancies indicated by the Legislative Audit Council. The apparent concern of the Audit Council appears to be the use of unaudited financial data versus audited financial data for reports to the General Assembly and Governor. The Department of Education has no bias if the reports are to be generated from the audited reports or the unaudited reports. The only reason unaudited data are included in the reports is to meet the reporting cycle requirements established by Legislation. It seems appropriate that the Legislature should consider the alternatives of timely data versus audited data.

The State Department of Education is currently developing a standard format for audit reports. The format will be completed prior to July 1, 1983. If the time difference between the submission date for the audit reports and the submission date of reports to the General Assembly can be reconciled by the Legislature, the school district's annual CPA audit can serve as the district's annual financial report thus eliminating the need for submitting unaudited data. This change in submission date should alleviate the concern of the Audit Council.

The Department also disagrees with the statements of the Council that the Department has not complied with the reporting provisions of the Finance Act. The Education Finance Act required the Department to institute massive changes in the financial reporting system to concur with the requirements of the Act. These changes have been made and the system provides all of the reports required by the EFA and they are included in the Superintendent's Annual Financial Report. The major difference of opinion is that the Audit Council apparently feels that the Department

should develop a separate report to the Governor and the General Assembly.

B. District Fiscal Accounting Practices

The Council recommends that the Department expand financial technical assistance to the schools and districts.

The State Department of Education is currently providing technical assistance to the LEA's in the area of fiscal management. With current State budget cutbacks it does not appear likely that these services can be expanded.

Chapter III

Review of the Weighting System

A. Base Student Cost

This section of the Council's report contained a recommendation that a cost impact study should be made prior to the enactment of any new education legislation.

The State Department of Education concurs with the Audit Council's recommendation in regards to impact studies being required before any legislation affecting public education is considered.

B. Handicapped and Vocational Education Weights

The Legislative Audit Council recommends an amended weighting system for the Handicapped and Vocational Categories.

The State Department of Education agrees that an updating of the current pupil weighting system is needed. Several reports in the past from different sources have indicated the need for changes. It is the Department's position that no changes be made in the system until the proposed Governor's Committee to Study the Education Finance Act has been appointed and has prepared its report. The study conducted for the Department by the College of Business Administration, University of South Carolina, and the South Carolina Administrators Association is a very definitive study and will provide the proposed Governor's Committee with a firm base for making its report.

C. Vocational Courses Questioned

The Legislative Audit Council recommends that the State Board of Education should no longer allow Consumer and Homemaking courses to qualify students for the 1.29 weight contained in the Finance Act for the Vocational program.

It is the Department of Education's position that no change be made in the Finance Act weightings until the study cited in Section B above has been completed.

Chapter IV

State Oversight of Education

In response to the December 16, 1980, Legislative Audit Council study on implementation of the Education Finance Act of 1977, the State Board of Education appointed an ad hoc committee of five Board members to study the accreditation system of South Carolina public schools. The Board also appointed a 30-member special task force representative of all the geographic areas of the state, as well as organizations that serve the educational interests of our state, to assist the ad hoc committee in the study. The task force was chaired by State Board of Education member Wilbur Smith and composed of representatives of the following groups: six district superintendents, one vocational director, two Senators, two House members, two from the School Boards Association, two from the Palmetto State Teachers Association, three from the Association of Elementary and Middle School Principals, two from the Secondary Principals Association, two from the Association of School Superintendents, one from the PTA, one from the Governor's Office, two from the Legislative Committee to Study Public Education, and one from the Citizens Coalition for South Carolina Public Schools. The State Board ad hoc committee and special task force reported their recommendations to the State Board of Education on March 9, 1983. The State Board of Education voted to approve the recommendations of this committee.

The 1983 Legislative Audit Council report included five recommendations which were made in their report of December 16, 1980. These five recommendations were studied by the State Board of Education ad hoc committee and special task force.

A. Basic Educational Data System.

The Legislative Audit Council recommends that "Assurances" be discontinued as a part of the BEDS monitoring system. A review of such requirements should be made during comprehensive on-site visits.

The State Department of Education disagrees with this recommendation. The State Board of Education's ad hoc committee reported that after consideration of the use of "Assurances" as a method for monitoring standards that are not quantifiable, the use of assurances as a part of the accreditation process should be continued.

B. On-Site Visits.

The Legislative Audit Council recommends that the State Department of Education expand the reviews of districts to allow for an indepth assessment of program quality, along with an integrated examination of compliance to standards. This type of programmatic assessment, conducted on a three- to five-year cycle could provide a comprehensive evaluation of district performance and plans, resulting in a guide for needed training and program improvement.

The State Department of Education disagrees with this recommendation. The present method of conducting a selected number of annual consolidated (comprehensive) audits in conjunction with on-site visits by accreditation supervisors provides a more comprehensive system of monitoring for compliance and quality than would infrequent three- to five-year comprehensive evaluations. Based on the study of the ad hoc committee, which reviewed accreditation data collected during the 1981-1982 school year, the man-hours required and the costs involved in conducting comprehensive audits, the State Board of Education accepted the recommendations of the committee to continue on-site comprehensive audits as part of the accreditation process.

C. Accreditation Classification

The Legislative Audit Council recommends that the State Board of Education should pursue a complete revision of the accreditation rating system, emphasizing the purpose of the accreditation process, and defining the ratings so as to clarify the meaning of the levels of accomplishment, progress, and compliance.

The Council further recommends that the Department of Education should develop written policies of the accreditation process to be followed in determining preliminary ratings and assigning final ratings. Guidelines for State Department of Education staff and school and district personnel should be published which further explain the accreditation process, purpose and standards.

The State Department of Education agrees with this recommendation and recognizes the need for changes in the present rating system during the next revision of the Defined Minimum Program. The DMP advisory committee will consider recommendations for changes in the present rating system. Written policies for State Department of Education staff and school and district personnel will be included in any changes made to the present rating system.

D. Defined Minimum Program

The Legislative Audit Council recommends that the State Board of Education develop and/or improve the minimum standards to provide those which are more consistent with legislative, State Board of Education, and local education goals. The State Board should consider the following criteria in revising the Defined Minimum Program:

- (1) Requirements should focus upon student performance, as well as defining the resources which should be available. Guidelines for setting performance standards should address the use of resources in meeting individual student needs.
- (2) Standards should incorporate the intent and directives of the Basic Skills Assessment Act and require the establishment of a structure in each school system for continually monitoring student performance reporting, results, and taking appropriate remedial action.
- (3) Standards should be expressed in terms which are clear and measurable.
- (4) Procedures for demonstrating compliance with standards should be simple and require a minimum of paperwork.

The State Department of Education is charged with the task of ensuring educational quality for each school district in keeping with the philosophy of the State Board of Education. The Department agrees with the emphasis placed on student performance as expressed in the Legislative Audit Council Report. However, the State Department of Education disagrees that the Defined Minimum Program be revised in a performance-based format. The State Board of Education task force studied the accreditation systems for the other 49 states and found no system more effective than South Carolina's system. The 1980 Legislative Audit Council Report made reference to the states of North Carolina and Texas incorporating accountability and student achievement components into their standards. The ad hoc committee found that North Carolina had discontinued its original plan of a three-tiered accreditation system because of the inordinate amount of paperwork. The Texas system was not found to be based upon performance standards.

The State Board of Education accepted the recommendation of the ad hoc committee that the results of the evaluation of the Effective Schools Pilot Program, being implemented in five South Carolina school districts during the 1982-83 school year, be used to determine whether the current accreditation procedure should be modified to include processes known to be related to effective schools.

The Defined Minimum Program revision committee will study and consider the statutory provisions of the Education Finance Act and the Basic Skills Assessment Program for the inclusion into the Defined Minimum Program. Philosophical and ambiguous statements in the Defined Minimum Program will be deleted.

E. Advisory Councils and School Reports

The Legislative Audit Council recommends that the State Department of Education's guidelines for advisory councils should include uniform record-keeping practices and the date by which advisory councils should be constituted.

The State Department of Education disagrees that guidelines for advisory councils should include uniform record-keeping practices. Such administrative procedures are more suitable to direction by local school districts where record-keeping procedures may be designed to meet local needs and capabilities.

The State Department of Education will recommend to the State Board of Education that an appropriate date for constituting school advisory councils be established.

F. State Board of Education

The Legislative Audit Council recommends that the State Board of Education consider the advantages of having an independent staff capability in order to more effectively exercise those powers provided by Section 59-5-60.

South Carolina has a unique system of an appointed seventeen-member State Board of Education required by State statute to carry out certain responsibilities and duties and an elected State Superintendent of Education who is the chief administrative officer of the public education system and also serves as the secretary and administrative officer for the State Board of Education. The State Superintendent organizes, staffs, and administers a State Department of Education to carry out the policies of the State Board of Education and duties of the agency. This system requires an interdependency and a close working relationship which does not support the concept of independent State Board of Education staff.

Currently the State Department of Education is providing positive and professional staff assistance to the Board. Each Committee of the Board has one or more assigned consultants to assist the Committee in providing data, information and other resources. This system is highly successful in providing advance study and input for board members to use in the decision-making process. With this positive and effective working relationship between State Department staff and State Board members, it would be a mistake to change the system that is working.

It would be appropriate for the General Assembly to consider increasing the State Board's appropriation. This would allow the Board to conduct its business at a level consistent with statewide responsibility.

GLOSSARY OF TERMS

- Accreditation - The process used to ensure school and district compliance with educational standards set out in the Defined Minimum Program. Every school receives an accreditation rating to indicate the degree of its compliance.
- Add-on Method - A method of counting students which counts students first in the category where they spend most of their time. Students who also receive services within other categories are counted a second time.
- Average Daily Membership (ADM) - A method of counting students in which enrollment is averaged over 135 of the 180 days schools are in session.
- Base Student Cost (BSC) - The amount of money required to provide the Defined Minimum Program for the most economically educated student in the school system. This has been determined to be those students in grades 4 through 8, in a regular classroom setting. The BSC figure is established each year by the Legislature.
- Basic Educational Data System (BEDS) - A computerized reporting system which provides statistical information on each school. The information is provided for use in monitoring compliance with the Defined Minimum Program (DMP).
- Category, Classification - Any specific student definition that is assigned a single weighting, i.e., kindergarten, speech, vocational. These terms are used interchangeably in the Act with "program."
- 85% Clause (Expenditure Requirements) - A provision of the EFA which requires school districts to expend 85% of the dollars generated by the pupil membership in the categories where the students generating the revenues are classified.
- Coefficient of Variation - A statistical measure, expressed as a percentage, indicating the degree to which districts' per-pupil revenues cluster around the State average revenue per pupil. To obtain the coefficient, the standard deviation is divided by the mean of per-pupil revenues of the districts.
- Correlation Coefficient - A statistical measure used to indicate whether a relationship exists between districts' property wealth per pupil and districts' revenues per pupil. The elasticity of this measure indicates the magnitude of the relationship.
- Defined Minimum Program (DMP) - The program established annually by the State Board of Education that is necessary to provide public school students in South Carolina with minimum educational programs to meet their needs. The DMP provides the criteria establishing cost estimates of the foundation program (Base Student Cost). Districts must give first spending priority of funds allocated under EFA to meeting standards established by the DMP.

GLOSSARY OF TERMS (CONTINUED)

District Annual Report - Refers to the financial reports sent by district superintendents to SDE by August 15.

Equalization Formula - The funding formula which determines State and local allocations to school districts. The total amount of funding a district receives is the base student cost times the district's weighted pupil units. The percentage of the amount funded by the State is determined by the index of taxpaying ability.

Exceptional - Educational categories other than regular or vocational/technical, i.e., handicapped or gifted.

Federal Range - The ratio measuring the restricted range (5th - 95th percentiles) to the revenues per pupil at the 5th percentile.

"Flat Grant" Funding - The method used for financing education prior to the 1977 EFA. Funds were allocated to school districts based a specified student count.

Foundation Program - The Defined Minimum Program and any special services provided by the districts to meet student needs.

Full-Time Equivalency (FTE) - A method of counting students for funding purposes which counts a student in each weight category according to the time spent in each category.

Holdharmless - No district qualifying for holdharmless receives less than the prior year's State EFA funding plus four-fifths of the inflation factor. Under holdharmless, a district's State fund allotment is not dependent on the number of pupils or its index of taxpaying ability.

Index of Taxpaying Ability - A formula used to compute the local school district's property taxing capacity in relationship to all other districts in the State. The formula divides district property wealth by total State property wealth and, therefore, provides a percentage of State wealth taxable in each district. The State Tax Commission adjusts the index so that districts' property is represented at fair market value.

Inflation Factor - A cost factor developed by the Division of Research and Statistics, to indicate the needed percentage increase in the BSC to counter inflation.

In-Service - Professional training required of school staff each year (in addition to college courses needed to maintain certification).

McLoone Index - A measure which examines the amount of State and local funding which would be needed to raise the revenues of all lower revenue districts up to the State median for per-pupil revenues.

GLOSSARY OF TERMS (CONTINUED)

Phase-in - EFA has as one of its purposes State Assumption of 70% of the cost of providing the basic education of the State's students. The 70% assumption is scheduled to be reached in steps by 1984.

PL 94-142 - The Education for all Handicapped Children Act of 1975 (implemented in 1977). Federal law requiring the State to provide a free, appropriate education, in the least restrictive environment, to handicapped students (ages 3-21).

Program - The combination of educational activities designed to meet a student's specific needs. For example, one student's program may consist of classes in regular, vocational and handicapped categories. This term is used interchangeably in the Act with "classification."

Range - The dollar difference between the district with the lowest amount of per-pupil revenues and the district with the highest amount of per-pupil revenues.

Relative Mean Deviation - A statistical measure showing the differences between each districts' revenues per pupil and the State average of revenues per pupil.

Restricted Range - The dollar difference between the districts with per-pupil revenues above the 5th percentile and below the 95th percentile. Also measures the dollar difference of per-pupil revenues between districts above the 25th percentile and below the 75th percentile.

Salary Schedule - Minimum salaries to be paid teachers, by education and years experience, based on an index established by EFA.

State Superintendent's Annual Report - Report to the Legislature by the State Superintendent each legislative session.

Teacher Incentive - Additional funds are given to districts for each teacher (in excess of 25% of staff) with a Master's Degree or higher certification.

Weighted Pupil Units (WPU) - A method of counting students using average daily membership and the cost ratios (weights) assigned the various education programs. Used as an indicator of pupil need for services in the statistical sections of this report.

Weighting System (Weights) - Cost ratio assigned to different student classifications based on the relative cost of their education program to that of the base student, which is given a weighting of 1.00 (see "Base Student Cost"). All other categories of students, particularly vocational and handicapped, require additional services, thus their weightings are greater. In South Carolina, a pupil is counted in only one educational category, regardless of other educational services received.